



United States
Department of
Agriculture

Food and
Nutrition
Service

Mountain
Plains
Region

1244 Speer Boulevard
Denver, CO 80204-3585

PL

Reply to SP 94- 74
Attn. of: CACFP-399
SFSP-240

JUN 23 1994

Subject: Meeting Audit Requirements--A Detailed Summary

To: STATE AGENCY DIRECTORS - Colorado ED, Colorado DH, Colorado SS, Iowa,
(Special Nutrition Programs) Kansas, Missouri ED, Missouri DH, Montana OPI,
Montana DHES, Nebraska ED, Nebraska SS,
North Dakota, South Dakota, Utah, Wyoming ED,
Wyoming DHSS

Attached to this memorandum is a copy of the revised text of the presentation by Chris Lipsey, USDA Food and Nutrition Service Staff Accountant, originally made at the Mountain Plains Region Biennial Consultants Workshop in Kansas City, Missouri, Wednesday, May 18, 1994. Mr. Lipsey revised the text in order to incorporate responses to several questions which were asked of him during the session he presented on meeting audit requirements.

It should be noted that Mr. Lipsey's guidance includes, in addition to the text: a prototype one-page "Single Audit Act and A-133 Funding Survey" to assess an individual institution's audit needs; a three-page "Audit Report Review Program," which can be used to guide a State Agency's review of an audit report received from an institution; and, finally, a two-page example that shows the step-by-step operational procedures put in place in order to notify institutions and track their audits in an FNS-administered program in Virginia.

We are pleased that the Consultants Workshop provided participants with an opportunity to hear Mr. Lipsey's presentation, and we are also pleased to be able to send out his written text.

Please call our office if you have any questions.

Ann C. DeGroat
ANN C. DEGROAT
Regional Director
Special Nutrition Programs

Attachment

*Copy of memo attached
Audit Info in SFSP drawer*

MOUNTAIN PLAINS REGION BIENNIAL CONSULTANTS WORKSHOP
May 18, 1994

MEETING AUDIT REQUIREMENTS

I What's Required?

A. Introduction. Federal statutes and regulations require organizations receiving Federal awards to obtain audits, in order to provide reasonable assurance that Federal funds and other assets placed in the hands of recipient and subrecipient organizations are being protected and used for authorized purposes. I'd like to begin by reviewing the principal requirements.

B. General Rule.

1. An organization receiving Federal awards aggregating \$100,000 or more in a fiscal year must obtain an audit as described in OMB Circular A-128 or A-133, as applicable. A-128 applies this requirement to States, school districts, Indian tribal organizations, public residential child care institutions (RCCIs), public day care centers, etc. A-133 applies it to not-for-profit organizations (NFPOs), such as private schools, private RCCIs, private day care centers, and other charitable organizations.

2. The audit described in A-128 and A-133 is a "single audit," also called "organizationwide audit." This is a cross-cutting requirement; it applies to the organization as a whole rather than to its divisions or programs individually. A single audit is intended to help the recipient organization control costs by having one audit meet the needs of all users. The Congress and OMB conceived it to give relief to governments and NFPOs burdened with the cost of obtaining a separate audit for each Federal awarding agency.

3. Required components of a single audit are shown in the triangular diagram included in this packet. This model is known as the "Edwards Triangle," after its creator, Bert Edwards, who was instrumental in bringing the single audit concept to fruition. The required components include:

a. Auditor's Opinion on the Auditee's Financial Statements. This is the apex of the triangle. It is an audit made in accordance with generally accepted auditing standards (GAAS). A GAAS financial statement audit gives reasonable assurance that one can rely on the information presented in the financials. This is the same kind of audit the Securities and Exchange Commission requires for financial statements of corporations whose stock is publicly traded on stock exchanges.

b. Increments Required by Governmental Auditing Standards. The second tier of the triangle presents additional components required by generally accepted governmental auditing standards (GAGAS). GAGAS are found in the "Yellow Book" issued by the General Accounting Office (GAO). GAGAS apply to all audits of Federal governmental organizations and to audits of Federal programs operated by nonfederal entities. When the Office of Inspector General (OIG) examines our operations, they use the "Yellow Book;" your auditors must also use it when making audits of your program operations. The additional components required by GAGAS include:

(i) Report on Compliance With Applicable Laws and Regulations. Do not confuse this with the reports on programmatic compliance required in a single audit. We haven't reached that point yet. We're talking here about compliance with all laws and regulations for which noncompliance could have a material effect on the auditee's financial statements. Examples may include not only programmatic requirements but also tax laws, environmental laws, civil rights laws, employment laws (including the terms and conditions of collective bargaining agreements), safety and health regulations, or any other law or regulation applicable to the auditee organization.

Compliance may have a material effect on the financial statements in that noncompliance may create liabilities for the auditee. We are all familiar with claims against schools and sponsors for ineligible meals, unallowable costs, etc. Noncompliance may also create liabilities in the form of fines and penalties imposed by regulatory agencies, and damages awarded by courts in suits brought by parties aggrieved by the auditee's noncompliance. Examples of the latter may include former employees charging civil rights violations or activists charging violation of environmental laws. If the auditee's financial statements do not disclose such liabilities (whether contingent or actual), its balance sheet will present a rosier financial position than is actually the case. Such financial reporting would be misleading. For this reason, auditors make special efforts to detect undisclosed liabilities. An auditor's examination of compliance is thus an extension of the examination of the financial statements.

(ii) Report on Internal Controls. The auditor is required to report on the auditee's overall internal control structure, including controls designed to provide reasonable assurance that the auditee will comply with applicable laws and regulations that could have a material effect on its financial statements. Where the report on compliance states whether the auditee did comply, the internal control report states whether the auditee has controls in place that provide reasonable assurance that it will continue to comply. Like the report on compliance, it is an extension of the financial statement audit.

c. Increments for Single Audits. The bottom tier of the Edwards triangle presents the additional items required, over and above a GAGAS audit, in order to make a single audit. These include:

(i) Schedule of Federal Financial Assistance (SFFA). The auditee must prepare a schedule that identifies each Federal assistance program by Catalogue of Federal Assistance (CFDA) number and the dollar amount of assistance received under each. The SFFA must include both assistance received directly from Federal agencies (such as Head Start) and "passthrough" assistance received from State agencies or other recipients.

(ii) Report on Internal Control Over Federal Programs. For every programmatic compliance requirement, the auditee should have one or more internal control procedures to provide reasonable assurance that compliance will be achieved. For example, a procedure calling for an authorized official's signature on a claim for reimbursement provides reasonable assurance that the claim had been reviewed and found correct before it was submitted to the State agency. The auditor is required to study and report on such program-specific controls.

(iii) Reports on Compliance. The last three cells in the Edwards triangle relate to compliance. Before discussing them, it is necessary to introduce some additional concepts.

o Major and Nonmajor Programs. A program is considered "major" if it generates Federal assistance of such magnitude that the risk of noncompliance carries substantial financial

risk to the Federal awarding agency and to the auditee. Major programs are identified according to a sliding scale that relates the amount of assistance received under each individual program to the total amount of assistance received under all programs. The minimum dollar threshold for a major program under A-133 is the greater of \$100,000 or three percent of the auditee's total Federal assistance. The corresponding figure for an A-128 audit is \$300,000. Programs whose assistance levels fall below these thresholds are presumed to represent less risk and are therefore considered "nonmajor."

o Levels of Audit Assurance. Audit reports can provide different levels of assurance. The language the auditor uses communicates the level of assurance given and the degree of responsibility the auditor is taking. The single audit literature identifies two different levels of assurance.

- An opinion is the highest form of assurance an auditor can give. It means the auditor has done such extensive work that he/she is willing to go on record to the effect that others can rely on his/her report in making business decisions regarding the auditee. An opinion is stated in language such as:

In our opinion, the auditee has complied in all material respects with the terms and conditions of its major Federal assistance programs.

An auditor expressing an opinion risks his/her professional reputation, as well as possible charges of negligence by those who relied on his/her opinion.

- Positive or Negative Assurance is simply a statement of what the auditor examined and what he/she found. Positive assurance is given through a statement such as: "We examined [these items] and found nothing wrong with them." Negative assurance is given by statements such as: "We did not examine [these items]; however, nothing

disclosed by our examination would lead us to believe there is anything wrong with them." Statements of positive or negative assurance represent a much lower level of assurance than does the expression of an opinion. They are followed by disclaimers of opinion, in order to make it very clear that the auditor is not taking the degree of responsibility an opinion conveys.

The three required reports on compliance are:

- o Positive or negative assurance on compliance with general requirements. These are the general grants management rules found in the departmental regulations (7 CFR Parts 3015 and 3016). Examples include procurement standards, property management standards, cash management rules, etc.
- o Positive or negative assurance on compliance with the terms and conditions of nonmajor programs.
- o Opinion on compliance with the terms and conditions of major programs. Because major programs represent greater risk, the auditor is required to make an examination of them that is sufficiently extensive to support an opinion. If the auditee has no major programs, this requirement does not apply.

C. Exceptions.

1. A NFPO receiving \$100,000 or more but operating only one program may elect to obtain either a single audit or a program-specific audit of the one program.

a. Governmentwide audit literature does not give the degree of detail on program-specific audits that it does on single audits because program-specific audits focus on just one program. Accordingly, President's Council on Integrity and Efficiency (PCIE) Statement 6, Questions and Answers on OMB Circular A-133, instructs auditors to make such audits in accordance with regulations and audit guides of the Federal agencies that administer the programs under audit. Where no regulations or audit guides are available, PCIE Statement 6 advises auditors to make audits leading to the following reports:

(i) An opinion on financial statements of the program. I do not consider this useful information because a program is not an accounting entity that normally issues financial statements, but we are aware of some States that do find it useful. We understand that the PCIE recommends it as the only way to obtain any opinion at all from a program-specific audit. A program-specific audit is not a single audit but it is still a GAGAS audit. Only the top two tiers of the Edwards triangle apply to a GAGAS audit. The only opinion required in that portion of the triangle is the opinion on the auditee's financial statements. While this may be intellectually satisfying, I believe the proper remedy is to issue regulations requiring opinions on compliance in program-specific audits. We have urged our program divisions to issue such regulations.

(ii) A report on internal controls relating specifically to the program.

(iii) A report (not an opinion) on programmatic compliance. Since we're talking here about just one program, the distinction between major and nonmajor programs does not apply.

b. For purposes of applying this requirement, the USDA implementing regulations (7 CFR Part 3051) recognize each of two clusters of closely related FNS programs as "one program." These are the Child Nutrition Cluster and the Food Distribution Cluster.

c. The Child Nutrition Cluster includes the National School Lunch Program (NSLP), School Breakfast Program (SBP), Special Milk Program (SMP), Child and Adult Care Food Program (CACFP), the Summer Food Service Program for Children (SFSPC), the Nutrition Education and Training Program (NET) and the commodities donated for use in these programs.

d. The Food Distribution Cluster contains the Emergency Food Assistance Program (TEFAP), the Commodity Supplemental Food Program (CSFP), Commodities for Soup Kitchens and Food Banks, and "regular" food donations to charitable organizations.

e. The significance of this is that a NFPO operating any combination of categorical programs within one of these clusters may still elect to obtain a program-specific audit of the cluster, regardless of the amount of Federal funding received. Without this exception, a private school receiving

cash assistance for the NSLP and commodities for use in school lunches would be deemed to be operating two programs because the cash and commodities are subsumed under different CFDA numbers. The school would therefore be required to obtain a single audit if its cash and commodity assistance totalled \$100,000 or more, even though the Federal interest in the school would be limited to its lunch service. None of us wants to tell a private school something like that.

f. The decision to select a single audit or a program-specific audit rests with the NFPO. Part 3051 is very specific that the NFPO will do this.

2. Any governmental unit or NFPO receiving at least \$25,000 but less than \$100,000 may elect to have a single audit or a program-specific audit of each program it operates.

3. A for-profit organization operating the Child and Adult Care Food Program (CACFP) must obtain program-specific audits under 7 CFR 226.8. State agencies may accept single audits for such organizations, but may not require them.

4. Part 3051 provides for special treatment of certain small organizations operating only the Food Distribution Cluster.

II What Do Program Operators Need To Do?

A. General. I'd like to preface everything I say in answer to this question with the statement that administrative machinery to implement A-128 and A-133 are organized differently in different States. The statements I'm about to make are generalities. For specifics, one needs to consult appropriate authorities within one's State.

B. State officials need to:

1. Obtain annual A-128 audits. Generally, this is done not by individual program offices, but by a central State office such as the Budget Office or Auditor General, or by a higher level of management within the State agency, such as the Chief State School Officer.

2. Furnish a copy of the A-128 audit report to the Federal "cognizant agency." For educational agencies, that's usually the U.S. Department of Education. Again, the State budget or audit officer or "higher management" usually does this.

3. Resolve findings of State level A-128 audits applicable to the programs your office administers. Generally, this is handled through contacts with the FNS regional office.

4. Require subrecipients to obtain audits (A-128, A-133 or program-specific, as applicable).

a. A primary recipient is responsible for requiring its subrecipients to follow all applicable regulations, including those on audit requirements.

b. Since audit requirements flow from the source(s) and amount(s) of Federal funding a subrecipient receives, a State agency must obtain this information in order to manage audit requirements.

(i) Audit requirements start at \$25,000 in Federal funding, so one needs to identify subrecipients that receive this much or more.

(ii) The requirement is addressed to the subrecipient organization as a whole, and the dollar thresholds refer to total Federal funding from all sources. This means, for example, that a State agency administering the CACFP must make this determination even for subrecipients to which it awarded less than \$25,000 under the CACFP.

(iii) How this information is gathered varies from State to State. We are aware of one State in which the State Budget Office collects data on Federal funding of subrecipients; advises the subrecipients what their audit requirements and options are; and furnishes a list of subrecipients who fail to comply to the applicable program office for corrective action. We are also aware of a State where the program offices send surveys on this subject to their subrecipients.

(iv) One way to collect this information is to request it from subrecipients as part of the application and agreement process. Included in this package is a survey form adapted from one used by our Mid-Atlantic Regional Office for their ROAP sponsors.

5. Require subrecipients or their auditors to furnish copies of their audit reports.

a. Before accepting an audit, make sure it meets the requirements of A-128 or A-133 and applicable regulations.

Again, which office performs this function varies by State. Included in this packet is a checklist used by one State agency to screen A-128 audits of subrecipients.

b. A State agency does not forward subrecipient audit reports to FNS, but retains them on file for inspection by FNS.

6. Follow up on subrecipient audits to ensure the findings are resolved and corrective action taken. Again, this may be coordinated by a State financial officer or by "higher management." If so, one needs to find out who does it.

a. Ultimately, a program office is responsible for corrective action on findings relating to its programs.

b. Audit findings must be resolved and corrective action carried out in a timely manner.

7. Use the audits as a management tool. Since most subrecipients are required to get them, they give you a regular measurement of subrecipient program activity. They can be useful, for example, in scheduling on-site reviews and in detecting illegal acts or internal control weaknesses that may cause a State to reconsider its relationship with the subrecipient.

8. Educate subrecipients and auditors.

a. Subrecipients often need to be counseled on such matters as the need for audits, how to obtain audit services, and how to decide whether a single or program-specific audit best meets their needs. This is likely to be especially true of subrecipients obtaining audits for the first time.

b. Auditors are trained in accounting, but often need instruction in program matters. We recommend reaching out to auditors through the State Boards of Accountancy and the State Societies of Certified Public Accountants. They may welcome the opportunity to attend seminars on the programs because such events may qualify to be counted toward their continuing professional education requirements. The more the auditors know about the programs, the better the audits will be.

9. It's useful to have written procedures for managing subrecipient audits. The procedures used by our Mid-Atlantic Regional Office to manage audit requirements for ROAP sponsors are included in this packet.

III What Changes are Coming in Audit Requirements?

A. The OMB is working on changes to both A-128 and A-133.

1. The GAO (the auditing arm of the U.S. Congress) and the PCIE (the Federal Inspectors General) have both conducted studies of the single audit process. The PCIE has already issued its report; the GAO report is currently being finalized.

2. The OMB is waiting for both reports before seeking changes in the Single Audit Act to implement the reports' recommendations. Because A-128 implements the Act, revising it requires such statutory change.

3. The OMB is already working on a revision to A-133, which does not depend on statutory changes. It is hoped that a revised A-133 reflecting the recommended changes can be published this calendar year. The OMB is giving this a high priority.

B. Specific changes recommended by the PCIE include:

1. Raising the dollar thresholds in A-128. The PCIE recommended that audit requirements start at \$100,000, and that the requirement for a single audit start at \$250,000. The OMB is considering conforming changes to A-133. If this recommendation is adopted, a lot of our problems with requiring small organizations to obtain audits will go away.

2. Incorporating the clustering approach to identifying programs into both A-128 and A-133. Federal awarding agencies would define their program clusters in the Compliance Supplements. This has two major benefits for us:

a. In single audits, the "major program" criteria would be applied to the cluster rather than to each individual program contained in it. This would increase the likelihood that our programs would qualify as "major programs" and thus receive opinion-level testing for compliance. Where this happened, it could get some of our smaller programs, such as the SFSPC and the NET, included in compliance tests.

b. The recognition of a cluster as "one program" for purposes of determining whether a recipient or subrecipient organization could elect program-specific audits would be institutionalized. Where it now resides only in Part 3051, it would become governmentwide policy.

C. The OMB is working on updating the A-128 Compliance Supplement, and hopes to publish the updated version this calendar year.

SOURCES OF AUDIT REQUIREMENTS

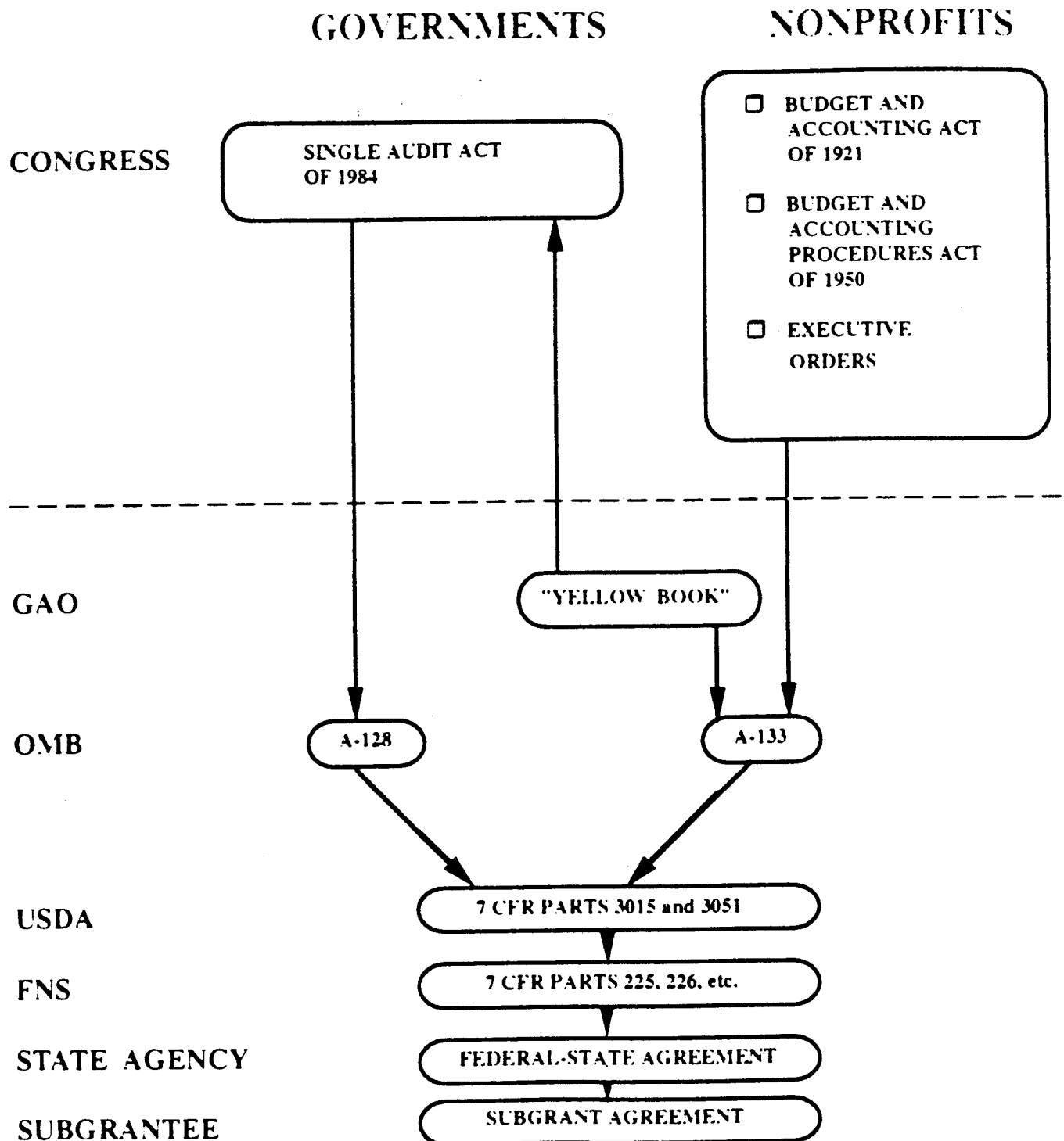
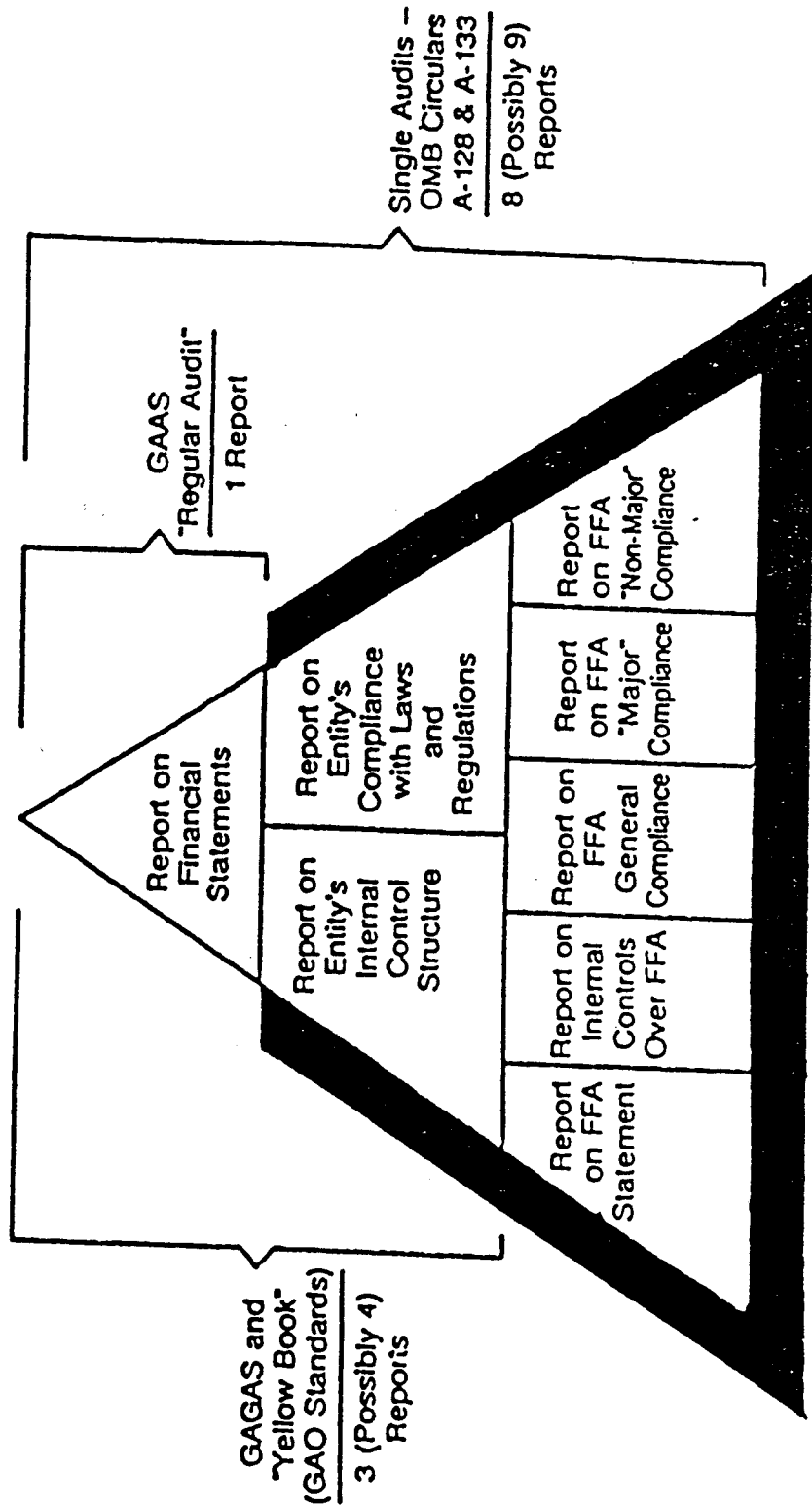


EXHIBIT S-8

APPLICABILITY AND SCOPE

■ "Regular" Audit vs. GAO Standards vs. Single Audit



SINGLE AUDIT ACT AND A-133 FUNDING SURVEY

Name of Organization: _____

1. Please give the ending date of your most recently completed fiscal year: _____

2. Please complete the following table on the Federal funding you received during that fiscal year:

(A) <u>Funding Source</u>	(B) <u>Program Title</u>	(C) <u>CFDA No.</u>	(D) <u>Amount</u>
USDA	Child and Adult Care Food Program	10.558	\$ _____
	Summer Food Service Program for Children		_____
	National School Lunch Prog.	10.555	_____
	School Breakfast Program	10.553	_____
	Nutrition Education and Training Program (NET)		_____
	Special Milk Program		_____
	Food Distribution	10.550	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Notes: (1) For each program, please indicate whether you receive funding directly from the Federal Government or indirectly through a State agency or other organization, by placing a "D" or "I", as applicable, next to the source identified in column (A).

(2) If you receive awards consisting of Federal and nonfederal funds and cannot identify the Federal portion, please identify such awards with an asterisk (*) and identify the organization from which you received the award in the Remarks section, below.

3. Remarks:

Name and Title of Sponsor Representative _____

Signature _____ Date _____

AUDIT REPORT REVIEW PROGRAM

AUDITEE _____	REVIEWING AGENCY _____
AUDITEE LOCATION _____	AUDITOR _____
TYPE OF SPONSOR _____ (Private School, RCCI, Child Care, etc...)	FISCAL YEAR _____

GENERAL INFORMATION

Timeliness of Issuance of Audit Report:

1. Audit Report issued (opinion letter date) _____
2. Audit Report received _____
3. Was the Audit Report submitted within 13 months from the end of the End of the Audit Period? _____

YES NO

REPORT REQUIREMENTS

Audit Scope:

1. Does the Audit reference the funding from the review agency _____
2. Was the audit conducted in accordance with GAAS and GAO standards?
(should state in opinion letter) _____
3. Basis of accounting used for presentation of f/s _____
(Cash, statutory, GAAP, other) _____

YES NO

Audit Opinion:

1. Does the auditor express an opinion? _____
2. Is the auditor opinion letter signed? _____
3. Type of opinion _____
Are appropriate reasons stated for the opinion if other than unqualified? _____
4. Is the opinion consistent with the notes to the financial statement and other disclosures? _____

YES NO

Financial Reports Contained in the Audit:

1. Combined/Combining Balance Sheet _____
2. Combined/Combining Statement of Revenues, Expenditures and Changes in Fund Balance (Governmental Fund Types and Expendable Trust Funds) _____
3. Statement of Revenues, Expenditures and Changes in Fund Balance-Actual/Budget Comparison _____
4. Combined/Combining Statement of Revenues, Expenditures and Charges in Fund Balance/Retained Earnings (Proprietary Fund Types) _____
5. Combined/Combining Statement of Changes in Financial Position or Statement of Cash Flow _____
6. Notes to the Financial Statements _____

YES NO

Instances of Noncompliance: (Compliance)

1. Were there instances of noncompliance? (If yes, see page 3 for details) _____
2. Were instances of noncompliance noted in a separate section on compliance in the audit report?
If no instances of noncompliance were found is there a positive statement to that effect in the separate section on compliance? _____
3. Was the Auditor's Evaluation of Compliance Omitted? _____

YES NO

AUDIT REPORT REVIEW PROGRAM

Page two

Instances of Reportable Conditions: (Internal Control)

YES NO

1. Were reportable conditions noted in the Internal Control Report? _____
2. If reportable conditions were noted, are they considered material weaknesses?
(If yes, see page 3 for details) _____
3. If no reportable conditions were noted, is there a statement that no matters that the auditor considered to be a material weakness were noted? _____
4. Was the Auditor's Evaluation of Internal Control Omitted? _____

MAJOR AREA REVIEW

<u>Areas</u>	<u>Acceptable (or Minor Deficiencies)</u>	<u>Requires Major Changes</u>	<u>Contains Significant Inadequacies</u>
Qualifications/Independence of Auditor(s)	_____	_____	_____
Auditor's Report on Financial Statements	_____	_____	_____
Schedule of Federal Assistance	_____	_____	_____
Supplementary Information	_____	_____	_____
Financial Statement Presentation	_____	_____	_____
Report(s) on Internal Control	_____	_____	_____
Report(s) on Compliance	_____	_____	_____
Other	_____	_____	_____
Due Professional Care	_____	_____	_____

Conclusions

In my opinion, the report is:

- [] acceptable and requires no or only minor changes.
[] substandard and requires major changes.
[] unacceptable due to significant inadequacies.

Other

YES NO

1. Was a management letter submitted? _____

Comments:

Person Evaluating Audit Report

Date

A. TO BE COMPLETED ONLY IF THERE WERE INSTANCES OF NONCOMPLIANCE REVEALED BY THE AUDIT.

Briefly list the instances of noncompliance:

B. TO BE COMPLETED ONLY IF THERE WAS MATERIAL REPORTABLE CONDITIONS RELATING TO INTERNAL CONTROL REVEALED BY THE AUDIT.

Briefly list the reportable conditions:

Action taken: _____

By: _____

Date: _____

Person Evaluating Audit Report

Date

**SINGLE AUDIT ACT IMPLEMENTATION
VIRGINIA ROAP CACFP FY 1994
OPERATIONAL PROCEDURES
NOVEMBER 1993**

PHASE 1: NOTIFICATION

Initiate notification cycle in November, subsequent to completion of application renewals.

Review masterfile: categorize sponsors: public, private nonprofit, proprietary, military.

Review masterfile: private nonprofits > \$25G CACFP reimbursement
private nonprofits < \$25G CACFP reimbursement
proprietary > \$25G CACFP reimbursement
proprietary < \$25G CACFP reimbursement

Log results of above analysis in supercalc tracking ledgers:
SCOMB128.CAL - public, proprietary, military; SCOMB133.CAL - private nonprofits

Prepare and mail initial audit requirement notification letters using mailmerge (see list of computer files) according to category: A-128 audit required (with guidance A-128, compliance supplement, OIG Audit Guide), A-133 audit required (with guidance A-133, compliance supplement, OIG Audit Guide), A-133 funding survey, proprietary, military.

PHASE 2: PROCESSING

Audit received: log in tracking ledgers SCOMB128.CAL or SCOMB133.CAL.

If audit contains no findings, prepare and mail closure letter; log disposition in audit tracking ledger SCVAOWA.CAL.

If audit contains findings, prepare letter of determination; log and track resolution in audit tracking ledger SCVAOWA.CAL.

If audit received does not comply with A-128 or A-133 requirements, prepare and send "noncomplying audit" letter.

Response to A-133 funding survey received: log in tracking ledger SCOMB133.CAL.

Determine total federal funding level (TXX 60% Federal, except Fairfax County 47% Federal).

If total Federal funding is > \$25G, prepare and send A-133 audit required letter, with guidance: A-133, compliance supplement, OIG audit guide.

If total Federal funding is < \$25G, prepare and send A-133 audit not required letter.

Proprietary center response received: log in tracking ledger, prepare and send acknowledgement letter.

January/February: Prepare Memo to OIG with list of proprietary centers to be audited. Arrange funding through CND.

Military sponsor response received: log in tracking ledger, prepare and send acknowledgement letter.

Response received that "audit is in process, but not yet available": log in tracking ledger, prepare and send "audit pending" acknowledgement letter, assign and track suspense date.

At 45 to 60 day intervals (depending on workload), review tracking ledgers, determine sponsors in need of followup, prepare and send followup correspondence.

At the time application renewal packets are prepared for mailing, review tracking ledgers, prepare list of any sponsors not yet in compliance, include noncompliance letter in application packet (application renewal will not be approved until compliance with audit requirements is effected).

TLVAOWA.IMP:2/7/94